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May 3, 1995

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MAY 3 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

VIA HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

RE: PP Docket No. 93-253

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's Rules, U.S. AirWaves Inc. hereby notifies the Commission that on April 11, 1995, Lawrence R. Sidman of Verner, Liipfert, Bernhard, McPherson and Hand, along with John DeFeo, President and Chief Executive Officer of U.S. AirWaves, and Pam Portin, Director of External Affairs for U.S. AirWaves, met with Dr. Robert M. Pepper, Chief, John B. Muleta, Esq., and Andrew Sinwell, Policy Associate, of the Office of Plans and Policy, to discuss issues relating to the timing and conduct of the broadband PCS auctions for C block licenses and also the issues addressed in the attached letter, which was distributed at the meeting.

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An original and one copy of this letter have been submitted to the Secretary. Please direct any inquiries concerning this matter to the undersigned.

Respectfully submitted,

VERNER, LIPFERT, BERNHARD
MCPHERSON AND HAND

By: Lawrence R. Sidman
Lawrence R. Sidman

Attachment

cc: Dr. Robert M. Pepper
John B. Muleta, Esq.
Mr. Andrew Sinwell



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MAY 3 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

April 20, 1995

Dr. Robert Pepper
Chief, Office of Plans and Policy
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Bob,

Win Himsworth and I appreciated the opportunity to visit with you and your staff recently to share information about U.S. AirWaves Inc. and discuss issues of importance to other Designated Entities.

Since that initial meeting, there has been a constitutional challenge to the FCC Designated Entity auction rules which now appears to have been successfully resolved by the Commission, and which hopefully means that the C Block auctions will commence in an expeditious manner. U.S. AirWaves filed comments in support of the Commission's position and strategy in this matter in response to the Commission's Public Notice, DA 95-651.

In addition, since our visit in January, U.S. AirWaves has continued pursuing its vision of creating a national PCS network by: gaining support from leading investment firms including Kleiner Perkins Caufield & Byers, Alex. Brown & Sons, Inc. and Morgan Stanley & Co. Inc.; putting in place an experienced core management team; and, aggressively seeking partnerships with other Designated Entities who receive added value by complementing their skills with U.S. AirWaves experience and capabilities.

This letter describes in greater detail U.S. AirWaves' positions in response to your request for additional information on some of the issues we discussed. From an overall perspective, we believe that competitive policies should be consistently applied to all wired and wireless communications providers. However, to promote full competition on a timely basis, U.S. AirWaves believes it is appropriate to extend special considerations to Designated Entities (DEs) companies (and their investors), as have been given in the past by the federal government, to new entrants into the telecommunications marketplace. Further, we believe a quick resolution of these issues and approval for entrepreneurs to proceed building their networks with these considerations in place, will help achieve the FCC's goal of expanding the competitive boundaries in the wireless telecommunications marketplace. The following list of issues and our positions reflect this basic premise.

U.S. AirWaves Inc.

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Bellevue, Washington 98004

- 1) Interconnection. Interconnection rules ought to be applied on a physical, electronic and informational basis, to both interstate and intrastate facilities and services, and be provided by all common carriers, including local exchange telephone companies and cellular companies. The prices should be determined on a reasonable non-discriminatory contractual basis. DEs ought to be able to purchase only the service

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clements they deem necessary on an unbundled basis through negotiated contracts. This ensures that DEs will be able to negotiate their single largest operating expense on the most cost-effective basis and reflect this in the prices charged to its customers. Following through on the principle of fair and equal mutual interconnection, DEs ought to be required to allow interconnection with their facilities based on a reasonable level of interoperability and stage of development of the PCS network systems.

In addition, from the start, DEs ought to be recognized with co-carrier status, having the ability to connect directly to the long distance tandem and functioning as a central office, for the purposes of interconnection contract negotiation.

- 2) Mutual Compensation. The FCC rules ought to allow all telecommunications carriers to be compensated by other telecommunications carriers when their traffic terminates on each other's network. This mutual compensation arrangement should apply to both interstate and intrastate traffic and should be based on a specific dollar amount. In addition, DEs should have the flexibility, for a five year period, to compensate other telecommunications companies on for example: a traffic termination basis; negotiation basis; or, possibly at no cost for direct connects to other carriers such as other DEs, cellular carriers, etc. The direct benefit to customers would be seen in lower prices and such an arrangement would also increase the competitive viability of DEs.
- 3) Local Number Portability. The FCC ought to create policies that ensure all telecommunications carriers are on an equal footing in opportunities to secure numbers for their customers and that customer numbers are fully transferable between telecommunications carriers. Standards need to be established and implemented in a uniform manner for customers of all telecommunications carriers. Equal treatment for all telecommunication carriers allows viable choices for the public.
- 4) North American Numbering Plan. A third party, independent group should become the administrator for the North American Numbering Plan with no ties to an interexchange carrier, local exchange telephone company or any other telecommunications carrier. All telecommunications carriers ought to have an equal say in the administration and implementation process for the distribution of numbers. An independent legal review and appeal process should be put in place to ensure all telecommunications carriers are being treated equally and on a timely basis. The ability to receive numbers equally based on demand and in a timely manner will best serve the customer.
- 5) Resale of Current Cellular Service. U.S. AirWaves supports the FCC proposal to require both A and B-side cellular carriers to provide resale opportunities to DEs. We also believe the rules ought to include resale obligations on other PCS carriers who have a headstart due to the earlier A/B PCS auction. This will help enable DEs to enter the marketplace as quickly as possible to establish distribution channels and brand names, and potentially, as local number portability becomes available and with completion of nationwide PCS networks, providing additional choices to the public.
- 6) Equal Access Requirements. DEs ought to be exempt from equal access requirements for a transitional five year period. This gives DEs the opportunity to increase their customer base by being able to take advantage of toll volume discounts, maintaining control over quality of the entire service being offered to customers, and by saving expenses necessary to administer

and maintain equal access, resulting in lower prices for customers. By the time DEs will be offering their PCS services to the public, there will already be four or five other wireless choices in the marketplace. The increased cost to provide equal access for the DE company outweighs the incremental benefit to the public because customers will have a wide range of choices in the marketplace for long distance and wireless services.

- 7) Co-location With Either A or B Carriers. Designated Entity PCS companies ought to be permitted to co-locate facilities with existing A and/or B cellular carriers and new A/B PCS companies, at reasonable prices. One of the major operating challenges for new PCS companies will be to build out the network with construction of cell sites in the areas where customers want to use their phones. By assuring co-location on existing cell sites, DEs will be able to avoid potentially lengthy delays in receiving approvals for building new sites. In addition, local governments are supporting the concept of co-location to solve the issue of managing visual concerns expressed by community groups and reducing administrative burdens. This will also provide DEs access to the "premier" sites already under control of established cellular carriers and new PCS carriers and helps to ensure competitive viability.
- 8) Access To Federal Government Locations For Cell Siting Opportunities. DEs ought to be permitted, on an exclusive basis, to have ease of entry access to federal government buildings across the country for the purpose of locating cell sites for the provision of PCS telecommunications services. The new digital technology planned for deployment by PCS companies utilizes smaller and more compact cell site facilities. Where cellular cell sites required a building generally accompanied by a tower structure antenna, 1.8 PCS technologies will only necessitate a small footprint base station and a set of small, low powered antennas which can be attached to a variety of existing buildings and poles. Many sites will not require buildings, but will reside in stand alone waterproof cabinets. This opportunity will permit DEs to more rapidly build out their PCS networks and provide service to customers.

In addition, as PCS companies provide coverage in areas where there is predominantly federal government lands including lands managed by the United States Forest Service and Bureau of Land Management, DE companies should be permitted to locate on federal lands in accordance with a coordinated, streamlined, and consistent approval process accompanied by a fee schedule applicable across the country.
- 9) Accelerated Transition On Microwave Relocation. Designated Entity companies ought to be able to benefit from an accelerated transition on the relocation of current microwave users by shortening the timeframe in which DEs are required to negotiate the transition for relocation to other spectrum. This will allow DEs to more quickly bring their services to the marketplace by shortening the timeframe to clear the spectrum and its concentration of limited financial resources on building their wireless networks in a timely manner, compensating for the headstart by the A/B license spectrum winners.
- 10) Prohibition On Bundling PCS Services. Companies already established in the telecommunications industry offering PCS in addition to other services, should be prohibited from bundling the services together. This includes such areas as joint marketing, customer service and joint operations. As an alternative, if such a prohibition is not possible, then there should be a mechanism for imputation of appropriate costs. This can eliminate the potential for cross-subsidies to be realized by established companies and will give DEs the opportunity

Dr. Robert Pepper
Federal Communications Commission
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to begin operating in the marketplace under the same framework competing for customers as more established companies in the industry.

- 11) Universal Service Fund. If policymakers decide that a Universal Service Fund in today's competitive telecommunications marketplace is still a viable and critical component of telecommunications policy, then the definition of "universal service" for subsidy qualifications ought to be based on basic telephony services. The requirements for contribution into such a fund should be broad based including all providers of services which are a part of the information superhighway infrastructure. The distribution of the benefits should be administered by an independent organization and should be available for reimbursement on an equal basis directly to the end user regardless of what telecommunications offerings they choose.

U.S. AirWaves plans to participate in the FCC proceedings addressing these issues. I look forward to the opportunity to review these issues with you and will schedule an appointment in the near future. In addition, please find attached a copy of our Confidential Private Placement Memorandum, which serves as tangible evidence of the FCC's success in creating new opportunities for entrepreneurs in this industry. We appreciate your continued interest in U.S. AirWaves Inc. and your commitment to giving DEs an opportunity to offer new wireless telecommunications choices to the public. In the meantime, please feel free to contact either Pamela Portin or me on (206) 990-1000 for any additional assistance.

Very truly yours,



John E. DeFeo
President and Chief Executive Officer

Attachment

cc: Win Himsworth